

**STATE BOARD OF EQUALIZATION**

916-445-3723

July 15, 1983

X-----

Dear X-----,

This is in regard to the petition for redetermination of sales tax filed by our office in regard to the X-----. This matter was heard by the Board in Sacramento on June 22, 1983. On June 22, the Board denied your petition for redetermination and ordered that the tax be redetermined without adjustment. The penalty for failure to file returns was deleted.

The Board has concluded that charges made by the X----- for folding wiping cloths constituted gross receipts from the retail sale of tangible personal property, in accordance with Revenue and Taxation Code Section 6006(b). That section provides that the term "sale" includes "The producing, fabricating, processing, printing, or imprinting of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the producing, fabricating, processing, printing, or imprinting." In accordance with its prior interpretations, the Board is of the view that folding wiping cloths constitutes a step in the production of tangible personal property into its final form and is taxable when done for a consumer. See our Regulation 1526, copy enclosed for your reference. You will be receiving a notice of redetermination in the reasonably near future.

On June 22 individual members of the Board suggested that your customer might be willing to reimburse the project for sales tax assessed against your agency. Since it is clear that the tax applies and since the Board has made its final determination that the tax was properly assessed, we were asked by the Board to assist you in communicating this information to your customer. While by law the tax is legally imposed upon the project as the retailer, the question as to the responsibility of the customer to reimburse the project is a matter of contract between the parties. In view of the socially beneficial nature of the activities conducted by the project and in view of the fact that the customer in question has been supportive of this activity, it is possible that it may agree to reimburse the project for the tax costs incurred.

If we could be of assistance in this matter, please feel free to contact the undersign directly by telephone or letter at the number or address listed above.

Very truly yours,

Gary J. Jugum
Assistant Chief Counsel

J:alicetilton

Enclosure

Bc: San Jose – District Administrator
Petitions Unit
Mr. H. L. Cohen